



1526 K Street, Suite 400
P.O. Box 94816
Lincoln, NE 68509-4816
Phone 402-471-2053
Toll Free 800-245-5712
Fax 402-471-9493
npers.ne.gov

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

SEPTEMBER 23, 2013

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:30 a.m., Monday, September 23, 2013, in the Great Western Bank Conference Center, Second Floor, 1221 "N" Street.

The Board members were notified of this meeting by the Agenda posted on the PERB's SharePoint website on September 17, 2013. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, September 16, 2013.

D. Blank chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT:

DENIS BLANK, CHAIR
RICHARD WASSINGER, VICE-CHAIR
ELAINE STUHR
JANIS ELLIOTT
JUDGE RANDALL REHMEIER
RON ECKLUND
JEFF STATES, EX-OFFICIO

MEMBERS ABSENT:

STUART SIMPSON
DARRELL FISHER

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	KATHY TENOPIR Legislative Fiscal Office
RANDY GERKE Deputy Director	PHILIP OLSEN State Auditor's Office
MATT EFFKEN Legal Counsel	ZACH WELLS State Auditor's Office
MIDEN EBERT Retirement Plan Supervisor	JASON HAYES Nebraska State Education Association
TERESA ZULAUF Internal Auditor	PAT BECKHAM Cavanaugh Macdonald Consulting
GARY BUSH AS - State Budget Administrator's Office	BRENT BANISTER Cavanaugh Macdonald Consulting
KATE ALLEN Retirement Committee Legal Counsel	MITCH SNYDER Retirement Specialist
NANCY REIMER Ameritas	VICKI HUBER Administrative Secretary

Agenda Item 1: D. Blank stated this meeting will follow the Nebraska Open Meetings Act and a copy of the Act is located on the table by the door.

Agenda Items 2 and 3 – Meeting Called to Order: D. Blank called the September 23, 2013, Board Meeting to order at 9:30 a.m. Present at roll call: D. Blank, R. Wassinger, E. Stuhr, J. Elliott, R. Rehmeier, R. Ecklund, and J. States. Absent: S. Simpson and D. Fisher.

Excuse Board Members: E. Stuhr moved to excuse S. Simpson and D. Fisher. R. Rehmeier seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda 4 – Public Hearings and Board Action on Rules and Regulations Chapter Nos. 4, 13, 14, 22, and 23: Public notice of the rule making hearings was published in the Lincoln Journal Star on August 22, 2013, and in the Omaha World Herald on August 20, 2013. Draft copies of the Rules and Regulations listed were available on the conference room table by the doors. Pursuant to NEB. REV. STAT § 84-907, the Board took testimony and evidence on modification of the Nebraska Administrative Code Title 303, concerning the chapters listed. M. Effken reviewed each chapter being revised.

Individual hearings were held for each chapter listed. There was no public testimony or other submissions on the modifications of Chapter Nos. 4, 13, 14, 22, and 23.

D. Blank moved to approve revisions to Chapter 4 of Title 303 of the Nebraska Administrative Code, entitled "Rules and Regulations for Refund and Termination Benefit Procedures," in the form delivered to the Nebraska Secretary of State on August 20, 2013. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve revisions to Chapter 13 of Title 303 of the Nebraska Administrative Code, entitled "Rules and Regulations for Compensation for Retirement Contributions and Benefits," in the form delivered to the Nebraska Secretary of State on August 20, 2013. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve revisions to Chapter 14 of Title 303 of the Nebraska Administrative Code, entitled "Rules and Regulations for Capping of School Retirement Compensation," in the form delivered to the Nebraska Secretary of State on August 20, 2013. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve revisions to Chapter 22 of Title 303 of the Nebraska Administrative Code, entitled "Rules and Regulations for Eligibility and Vesting Credit," in the form delivered to the Nebraska Secretary of State on August 20, 2013. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve revisions to Chapter 23 of Title 303 of the Nebraska Administrative Code, entitled "Rules and Regulations for Computation of Final Average Compensation for State Patrol and Judges Plans," in the form delivered to the Nebraska Secretary of State on August 20, 2013. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 5 – Approval of Minutes: R. Wassinger moved for approval of the minutes of the August 19, 2013, Board Meeting. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, E. Stuhr, and R. Wassinger. Against: None. Abstain: R. Ecklund and R. Rehmeier. Motion carried.

Agenda Item 6 – Approval of Budget Status Report & August Retirement Report: E. Stuhr moved to approve the budget status report and the August 2013 Retirement Report. R. Ecklund seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 7 – Public Comments or Correspondence from Citizens: There were no public comments or correspondence from citizens with business not scheduled on the agenda.

Agenda Item 8 – State and County Audit Report: P. Olsen, audit manager for the State and County Audit, introduced Z. Wells the senior auditor in charge of the audit. P. Olsen thanked P. Chambers and the NPERS staff for their cooperation with the public audit. He pointed out there were only two comments in their report.

P. Olsen presented the State and County Retirement Plans audit for the period of January 1, 2011, through December 31, 2012. He reviewed the comments and recommendations of the State Auditor's Office listed in the report issued on September 5, 2013.

D. Blank thanked the auditors for their help resolving audit points and stated it is the PERB's goal to continue to have very few findings.

R. Ecklund moved to accept the State and County Audit Report. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 9 – Actuary Report: P. Beckham explained during the transition of actuarial services to a new firm, a replication valuation is performed to ensure the new firm has properly programmed their valuation software to reflect the plan provisions and assumptions and to benchmark any difference between their results and the prior actuary's results. She reported the comparative results for key valuation measurements for all plans are a very good match overall and are well within the expected levels of variability.

P. Beckham reviewed the summarization of replication valuations; focusing on the Present Value of Benefits, the Actuarial Accrued Liability, and the Normal Cost Rate. Results were

provided for all plans. A copy of the Transition Valuation Results can be obtained from the Retirement Office.

Because of the close actuarial matching, B. Banister commented that it appears Cavanaugh Macdonald and Buck have a similar understanding of the plan provisions.

The actuaries recommended making the following changes to improve consistency in the valuation process: (1) assume that retirement benefits are paid at the end of the month, (2) project the actual salary amount from the prior year with the assumed salary increase to develop the expected salary amount in the upcoming year, and (3) use a slightly different approach in determining the normal cost rate.

P. Beckham stated after the annual valuations are complete, they plan to reevaluate costs for purchase of service (POS) for School members, using the assumption changes made in the 2012 Experience Study. NPERS is currently using 2008 service factors to calculate POS.

P Beckham reminded everyone: 1) Valuations are an estimate. 2) The actuary does not control the cost of the system. The cost is determined by the benefits that are paid out of the system. 3) Actuaries come up with the best way to fund the costs in a systematic way, ahead of time.

They will use the most recent Experience Study and improved pension valuation software to prepare actuarial valuations. She stated the actuary valuations presented in November will identify any changes that are due to a change in methodology.

J. Elliott moved to approve the Actuary Report and recommendations. R. Ecklund seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 10 – Internal Auditor Quarterly Report: T. Zulauf provided the Board with a written report compiling results from the internal audits of the Berwyn Death Report and County and School employers.

She reported her department has completed 7 School employer audits for the fiscal year ending June 30, 2014. Issues were identified in the areas of gross wages, enrollment, hours reported, and demographics. One School employer audit did not have any issues.

She reported her department has completed 18 County employer audits, to date. Issues found in the County audits were in the areas of procedures for monitoring hours worked, mandatory contributions, and ineligible compensation. Four County employer audits did not have any issues.

T. Zulauf reported auditing the Berwyn Death Report. The Berwyn Death Report included 187 individuals, which were all examined. She reviewed the findings of the audit. She recommended NPERS continue to run the report every two months.

T. Zulauf provided written details of each of the internal audits.

D. Blank asked T. Zulauf if she had anything that needed to be reported to the PERB in addition to her report. She answered, "No."

R. Ecklund moved to approve the Internal Auditor Quarterly Report. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

The Board took a break at 10:50 a.m. and reconvened at 11:02 a.m.

Agenda Item 11 – Investment Officer's Update: J. States reported the market has been up and down in response to concerns that the rally is not sustainable. A possible governmental "Shutdown" may have an impact on the financial markets. The overall investment environment is positive.

He stated the Nebraska Investment Council (NIC) meets Tuesday, September 24th and will be considering developing policy based on its Investment Retreat. Decisions are still pending concerning changes to allocations that were recommended by consultants.

J. States reported State auditors are presently completing the Comprehensive Annual Financial Report (CAFR) audit and reviewing the investment programs. He reported no concerns so far.

He reported good progress is being made as the NIC continues to work with Ameritas and subcontractors to complete the development of an automated system for the DCP program.

He stated the NIC will go over their review of the Hartford/MassMutual fund options at the PERB/NIC joint meeting in November.

R. Rehmeier moved to approve the Investment Officer's Update. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 12 – Director's Report: P. Chambers reported 760 School retirement applications were processed with a June 1 effective date, prior to the 90-day deadline. Four applications are still in process; waiting for further documentation.

She reported approximately 98 School retirements were processed with a July 1 effective date, with approximately 80 retirement applications pending. She reported the office is behind schedule on July retirements and refunds; because of the move.

P. Chambers stated the office move went well. She commented on how some staff members shared desk space and computer access in order to continue to work on processing retirements, distributions, QDROs, etc. Fred Turner assumed the responsibilities in organizing the move. The Call Center continued to answer calls during the entire move and walk-ins were assisted at both locations. She reported installation was behind schedule, because the installers were short on staff. However, the staff from VonRenzel and Office Installation Specialists were very nice to work with. She stated there were some minor

damages to items and a few missing parts. She stated the Agency is currently working on temperature control, ordering blinds, and researching the costs of acoustical wall and ceiling tiles to control some privacy issues in the new space. R. Gerke is keeping track of costs related to the move.

P. Chambers stated in a continued effort to go paperless, the PERB Agenda's and meeting materials will be provided via email to those who regularly attend. A hardcopy of the public meeting materials will be available at the meetings, as required.

She reported Groom Law Group has sent a written response to the IRS, regarding the Patrol's DROP. Hopefully they will accept the response.

The Board received the information packets from the Census Bureau and P. Chambers distributed the packets.

P. Chambers announced NPERS received two plaques for participation in the State Charitable Giving Campaign. Awards were for "Most Valuable Agency-Champion of Dollars" and "Agency All Stars-Champion of Dollars," for consistently increasing donations since 2009. Donations from the Agency increased over 20%. Forty-six out of 50 staff members contributed to the campaign. She stated the project chairs and NPERS staff did a phenomenal job organizing and participating in the activities. She complimented NPERS staff on their generosity.

P. Chambers stated the GASB meeting has been scheduled for Tuesday, October 22, 2013, at 1:30 p.m. The meeting will take place in the 1526 Building.

M. Effken and P. Chambers will meet with the Nebraska Council of School Administrators on November 1, 2013, to discuss school issues.

P. Chambers mentioned she will be attending the National Council on Teacher Retirement (NCTR) Annual Conference October 5-9, 2013, in Washington, D.C. She has been asked to serve on the Nominating Committee and to serve on a panel for the Pre-Conference Seminar: "What's Going On in the States."

P. Chambers reported Moody Investors Service has issued a report on state governments, which shows Nebraska is among the three lowest for adjusted pension plan liabilities.

J. Elliott expressed her appreciation for NPERS staff working overtime to keep up with their work load during the move.

E. Stuhr moved to approve the Director's Report. R. Ecklund seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 13 – Board Committee Reports: There were no reports.

Agenda Item 14 – Board Education/Travel Requests: There were no requests.

Agenda Item 15 – Future Meetings/Agendas: The next meeting will be held on Monday, October 21, 2013, in the Great Western Bank Conference Center at 1221 "N" Street.

Agenda Items 16 and 17 – Executive Session: At 11:44 a.m., R. Wassinger moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Retirement Applications of Retirement Nos. 109333, 820363, 138108, and 139768; personnel matters, and other legal matters. R. Ecklund seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

At 12:38 p.m., E. Stuhr moved that the Board exit Executive Session and reconvene in Regular Session. R. Ecklund seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved for disapproval of the Disability Applications for Retirement Nos. 109333 and 138108. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Applications for Retirement Nos. 820363 and 139768. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Adjournment: J. Elliott moved that the meeting adjourn. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

The meeting adjourned at 12:40 p.m.



Phyllis G. Chambers
Director